

Memorandum of Understanding

between

Central Banking Authority of Kosovo (CBAK)

and

Croatian Financial Services Supervisory Agency
(CFSSA)

Concerning Cooperation in the Field of
Insurance and Pension Funds Supervision

In this Operational Agreement,

The Central Banking Authority of Kosovo (hereinafter: CBAK), on one side,
and

Croatian Financial Services Supervisory Agency (CFSSA), on the other side,
express their willingness to cooperate on the basis of mutual trust and understanding and
agree to base their co-operation in the field of insurance and pension funds supervision on
the principles and procedures outlined in this Operational Agreement (hereinafter:
Agreement)

In the following text of the Agreement, CBAK and CFSSA will be called “Authorities”
or “Supervisors”.

The general framework of this Agreement is the Insurance Core Principles for Effective
Insurance Supervision issued by the International Association of the Insurance
Supervisors (hereinafter: Core Principles).

Article 1. Competent authorities

The CBAK is responsible for insurance and pension funds supervision under the
Insurance Regulation UNMIK 2001/25 and Pension Regulation UNMIK 2005/20 and
other special laws.

The CFSSA is responsible for insurance and pension funds supervision in Croatia in
accordance with the Act on Croatian Financial Services Supervisory Agency (Official
Gazette of the Republic of Croatia No. 140/2005).

Article 2. Definitions

For the purposes of this Agreement, the following expressions shall have the following
meaning:

Cross-Jurisdiction
Establishment:

A Branch incorporated and licensed in one
jurisdiction that is established by a head office of a
insurance **or reinsurance** company or a pension funds
management company (hereinafter referred to as: the
companies) incorporated and licensed in the other
jurisdiction, or a Subsidiary incorporated and
licensed in one jurisdiction that is directly or
indirectly controlled by a parent company
incorporated and licensed in other jurisdiction

Branch:	The organizational unit incorporated and licensed in one jurisdiction of a company that is incorporated and licensed in other jurisdiction
Subsidiary:	A company incorporated and licensed in one jurisdiction that is directly or indirectly controlled by a parent company incorporated and licensed in the other jurisdiction
Home Supervisor:	The authority supervising the head office of a company in the case of a Branch, or supervising the parent company in the case of a Subsidiary
Host Supervisor:	The authority supervising a Branch or a Subsidiary within their respective jurisdiction.

Article 3. Professional Secrecy

Compliance with the obligations of professional secrecy by all employees and officials who receive information from the respective other jurisdiction in the course of their activities is a necessary condition for successful co-operation between the Authorities.

Each authority will keep confidential:

- any request for information made under the Agreement and any matters arising in the course of its operation, unless such disclosure is necessary to carry out the request;
- any information passed under the Agreement unless it is disclosed in furtherance of the purpose for which it was requested.

If the disclosure of confidential information to public body or a home government agency (e.g. The Court, Tax Administration etc.) is required by the laws of Kosovo or Croatia, the Authorities will promptly notify each other.

Article 4.

Exchange of Information

The Authorities endorse a broad principle of exchange of information between each other to support and facilitate their respective supervisory tasks. The Authorities underline the willingness to share the information on events concerning Cross-Jurisdiction establishments and also their parent companies regulated by the Supervisors.

In a particular, the Host Supervisor will alert the Home Supervisor promptly of any event concerning the Branch or Subsidiary, which might jeopardize the stability of the company as whole. Authorities will inform each other of administrative penalties imposed or other actions taken on a Branch or Subsidiary or a company as a whole, in so far as they are aware of such action and the penalty or other actions can be deemed to be of a material importance.

In addition, there will be communication between Authorities regarding any substantial changes in the respective domestic supervisory regulations and policies.

Article 5. Licensing and owner control

If a company incorporated in one of the jurisdictions applies to the Supervisors of the other jurisdiction to establish a Branch, the later shall inform the Home Supervisor without delay. If the adequacy of home supervision is a statutory prerequisite, which the Host Supervisor needs to address in the licensing procedure, it would contact the Home Authority to settle any question in this regard.

The Home Supervisor authority informs the Host Supervisor of the amount of own funds and the solvency ratio of the parent company, and whether it is fully subject to and complies with the domestic regulation, and whether it is expected in the light of its administrative structure and internal control to run the Cross-Jurisdiction Establishment in an orderly and proper manner. The Home Supervisor discloses any piece of information available to the Host Supervisor, which might give rise to doubts as to the fit, and proneness of the prospective managers of the Cross – Jurisdiction Establishment.

The Supervisors shall consult before granting authorization to a subsidiary of a company authorized in the other jurisdiction or assessing any acquisition of a holding in a domestic company through a company within the jurisdiction of the other Authority.

Article 6.

On-Site Inspections and Audits

Recognizing the importance of consolidated supervision, the Authorities agree that their co-operation is particularly useful in assisting each other in carrying out on-site inspections of Cross-Jurisdictions Establishments.

The Host Supervisor will allow the Home Supervisor to carry out inspections of Branches and Subsidiaries in the Host jurisdiction. The Host Supervisor will allow that upon advanced notification of the purpose of these inspections, its expected inception and duration and the institutions and details of the persons performing it.

The Host Supervisor has the right to have representatives accompany any such on-site inspections. As agreed, the Host Supervisor will be kept informed on the results of such on-site inspection to a reasonable extent and a timely manner.

Article 7. Laws and regulations

Authorities will advise each other upon request on any aspect of their regulatory system and notify each other of any major change in their domestic rules and regulations, in particular about those changes, which have significant bearing on the activities of Cross-Jurisdiction Establishments, on the operation of laws and regulations that concern the insurance and pension funds sector, and other information about insurance and pension funds sector developments in Kosovo and Croatia.

Information will be exchanged between Authorities in writing or orally, without request or upon request, as well as during consultation sessions between the Authorities' senior officials and other designated staff.

Article 8. Ongoing Supervision and Corrective Action

Authorities will inform each other, in good time and to the extent reasonable, about any event, which has the potential to endanger the stability of a company having Cross-Jurisdiction Establishments in the respective other jurisdiction. That it is particular:

- any incipient crisis, any serious violation of the laws and regulations of prudential operations, a decline in capital adequacy to a limit under the minimal limit set by authorities on solo and consolidated basis, the carrying out of businesses in a way that impairs the interest of the policyholder of the insurance **company** or threatens the safety and stability of the insurance and pension funds system, or other information of serious nature;

They also notify each other of administrative penalties, which they have imposed or any other action, which they have taken on Cross-Jurisdiction Establishment as Host Supervisor or on the parent company as Home Supervisor, if the information on their judgment is possibly important to the Authorities, in particular:

- limiting and canceling some activities stated in the license
- requesting changes in the management or supervisory board of the company;
- establishing appropriate amounts of provisions and reserves;
- lowering the initial capital of the company;
- implementing forced administration;
- revoking license and
- any other measures of supervision of serious nature.

Authorities shall discuss between each other any significant information on companies having Cross-Jurisdiction Establishments in Kosovo or Croatia.

Representatives of the Authorities will convene ad-hoc meetings to promote the resolution of supervisory problems concerning a Cross-Jurisdiction Establishment in Kosovo or in Croatia, whenever one party deems necessary.

Article 9. Miscellaneous

This Agreement comes into force and effect and becomes binding upon the signing of all signatories.

All communications between the Authorities should be made between the principal points of contact as set out in Annex 1 unless otherwise agreed. Annex 1 may be amended by written notice from either Authority.

After the signing of this Agreement, Authorities will exchange lists of licensed companies which are subject of this Agreement in their jurisdictions. These lists will be updated on a regular basis or if the list is changed.

The Authorities agree that there should be regular meetings to discuss various questions relating to prudential insurance and pension funds supervision established in both jurisdictions and on developments of their regulatory and supervising system on an annual basis.

Nothing in or relating to this Agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including "UNMIK".

This Agreement shall remain in existence until one of the signatories notifies the other in writing its wish to revise, amend or withdraw from the Agreement. One-month notice of any such action will be given. In the event of termination of this, Agreement information obtained under this Agreement will continue to be treated confidentially.

SIGNED in 4 (four) copies on _____ 2008 in Pristina and on _____ 2008 in Zagreb, in English, all four versions being equally authentic.

Central Banking Authority of Kosovo

Croatian Financial Services
Supervisory Agency

Hashim Rexhepi, Managing Director

Ante Samodol, President of the Board

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SIGNED in 4 (four) copies on MAY 12 2008 in Pristina and on MAY 6 2008 in Zagreb, in English, all four versions being equally authentic.

Central Banking Authority of Kosovo



Hashim Rexhepi, Managing Director

Croatian Financial Services
Supervisory Agency



Ante Samardžić, President of the Board